REPORT OF

COUNTY EMPLOYEES' RETIREMENT FUND

DECEMBER 31, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County Employees' Retirement Fund

We have audited the accompanying statements of plan net assets of the County Employees' Retirement Fund ("CERF") as of December 31, 2008 and 2007, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of CERF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of County Employees' Retirement Fund as of December 31, 2008 and 2007, and the changes in plan net assets for the years then ended, in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis, and the schedules of funding progress and employer contributions are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on pages 21 - 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams-Keepers LLC

May 8, 2009

COUNTY EMPLOYEES' RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the County Employees' Retirement Fund's (CERF) financial performance provides an introduction to the financial statements of CERF for the years ended December 31, 2008 and 2007. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the financial statements.

Required Financial Statements

CERF, a public employees' retirement plan, prepares its financial statements on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Statement of Plan Net Assets includes all of CERF's assets and liabilities and provides information about the nature and amount of investments available to satisfy the pension benefits of the plan. All additions to and deductions from the net assets held in trust for pension benefits are accounted for in the Statement of Changes in Plan Net Assets. This statement measures CERF's success over the past year in increasing the net assets available for pension benefits.

Financial Analysis of CERF

While the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets measure the value of plan net assets and the changes to them, another important factor needs to be considered in order to determine the financial health of CERF. That additional factor is the plan's funded status. In 2008, contributions combined with a net investment loss and securities lending losses totaling ($33,052,797) and deductions totaling $19,338,643 negatively impacted net assets by ($52,391,440). This net decrease brought the Plan's net asset base to $204,846,116. For actuarial calculations, certain assumptions were changed beginning in 2008, based on a six-year experience study. Specifically, the salary increase assumption was strengthened, the member turnover assumption was increased, and the retirement age assumption was modified. A 5-year smoothing method to derive the actuarial asset value was also adopted. The plan is not 100% funded at present, as it is a relatively new plan created by legislation in August, 1994 and the CERF plan granted past service credit. Our funded position had steadily improved since inception, enabling CERF to make improvements to plan benefits effective October 1, 2007. The cost of these benefit enhancements are now being reflected in this recent actuarial valuation. At June 30, 2008, the actuarial value of assets was $271,146,789, while the fair market value of assets was $246,826,001. The aggregate actuarial liability for CERF was $364,213,668. On an actuarial basis, the assets held as of June 30, 2008 currently fund 74% of this liability. This is a decrease from the funding ratio of 83% for June 30, 2007, which is a result of not only poor market performance, but also the expected cost of implementing the benefit enhancements mentioned earlier. If a ratio of the actuarial value of assets to the actuarial present value of accrued benefits is used, the funding ratio decreases from 96% as of June 30, 2007, to 90% as of June 30, 2008.

Plan Net Assets

To begin the financial analysis, a summary of CERF's Plan Net Assets is as follows:

Condensed Statements of Plan Net Assets
(in $000's)

	2008	2007	Dollar Change	Percent Change
Cash and cash equivalents	$ 1,634	$ 1,217	$ 417	34%
Receivables	3,957	3,620	337	9%
Investments	201,037	250,616	(49,579)	-20%
Invested securities lending collateral	30,698	69,298	(38,600)	-56%
Other assets	8	12	(4)	-33%
Capital assets, net	3,880	4,015	(135)	-3%
Total assets	241,214	328,778	(87,564)	-27%
Liabilities	36,368	71,540	(35,172)	-49%
Total plan net assets	$ 204,846	$ 257,238	$ (52,392)	-20%

Plan net assets decreased by $52,391,440, or 20%, in 2008. This decrease reflects the investment losses suffered, as well as the unprecedented losses experienced from securities lending investment in 2008.

The following table presents the investment allocation for 2008 and 2007, and CERF's target allocation for 2008. CERF considers its land and administrative office building to be part of its real estate investment portfolio, whereas they are classified as capital assets in the financial statements. These percentages are based on including the land and building at cost, with no depreciation, and classifying temporarily uninvested cash in each investment fund as part of CERF's overall category, whereas such cash is classified as cash equivalents in the financial statements. Otherwise, these percentages may reflect some minor differences in classifications among categories as compared to the classifications used for investments in the accompanying financial statements.

	2008	2007	Target
Fixed Income	34.8%	28.9%	30.0%
U. S. Equities	34.1%	40.6%	40.0%
International Equities	13.5%	15.3%	15.0%
Equity Long/Short	9.7%	9.1%	10.0%
Real Estate	5.9%	5.3%	5.0%
Cash	2.0%	0.8%	*

*The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

Condensed Statements of Plan Net Assets
(in $000's)

	2007	2006	Dollar Change	Percent Change
Cash and cash equivalents	$ 1,217	$ 1,263	$ (46)	-4%
Receivables	3,620	3,537	83	2%
Investments	250,616	225,727	24,889	11%
Invested securities lending collateral	69,298	65,800	3,498	5%
Other assets	12	2	10	500%
Capital assets, net	4,015	4,266	(251)	-6%
Total assets	328,778	300,595	28,183	9%
Liabilities	71,540	67,549	3,991	6%
Total plan net assets	$ 257,238	$ 233,046	$ 24,192	10%

Plan net assets increased by $24,191,077, or 10%, in 2007. This increase reflects the investment gains experienced, as well as the additional income earned through securities lending in 2007.

The following table presents the investment allocation for 2007 and 2006, and CERF's target allocation for 2007. CERF considers its land and administrative office building to be part of its real estate investment portfolio, whereas they are classified as capital assets in the financial statements. These percentages are based on including the land and building at cost with no depreciation, and classifying temporarily uninvested cash in each investment fund as part of CERF's overall category, whereas such cash is classified as cash equivalents in the financial statements. Otherwise, these percentages may reflect some minor differences in classifications among categories as compared to the classifications used for investments in the accompanying financial statements:

	2007	2006	Target
Bonds	28.9%	28.4%	30.0%
U. S. Equities	40.6%	42.4%	40.0%
International Equities	15.3%	15.4%	15.0%
Equity Long/Short	9.1%	8.6%	10.0%
Real Estate	5.3%	4.5%	5.0%
Cash	0.8%	0.7%	*

*The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

Condensed Statements of Changes in Plan Net Assets
(in $000's)

	2008	2007	Dollar Change	Percent Change
Additions:				
Contributions:				
Counties receipts	$ 20,053	$ 19,760	$ 293	1%
By members	7,717	6,861	856	12%
For members, paid by counties	739	694	45	6%
Members, purchase of prior service	123	83	40	48%
Total contributions	28,632	27,398	1,234	5%
Net investment income	(59,670)	14,636	(74,306)	-508%
Net securities lending activity	(2,014)	79	(2,093)	-2655%
Total additions	(33,052)	42,113	(75,166)	-178%
Deductions:				
Benefits	$ 13,180	$ 12,123	$ 1,057	9%
Refunds	2,228	2,234	(6)	0%
Defined contribution plan match	1,946	1,627	319	20%
Administrative expenses	1,985	1,939	46	2%
Total deductions	19,339	17,922	1,416	8%
Net (decrease) increase	$ (52,391)	$ 24,191	$ (76,583)	-317%

	2007	2006	Dollar Change	Percent Change
Additions:				
Contributions:				
Counties	$ 19,760	$ 18,924	$ 836	4%
By members	6,861	5,889	972	17%
For members, paid by counties	694	560	134	24%
Members, purchase of prior service	83	64	19	30%
Total contributions	27,398	25,437	1,961	8%
Net investment income	14,636	25,133	(10,497)	-42%
Net securities lending income	79	65	14	
Total additions	42,113	50,635	(8,522)	-17%

Deductions:				
Benefits	$ 12,122	$ 10,779	$ 1,343	12%
Refunds	2,234	1,566	668	43%
Defined contribution plan match	1,627	1,070	557	52%
Administrative expenses	1,939	1,895	44	2%
Total deductions	17,922	15,310	2,612	17%
Net increase	$ 24,191	$ 35,325	$ (11,134)	-32%

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2008 totaled $28,631,696 which was 5% above those received in 2007. Contributions for 2007 totaled $27,397,679 which was 8% above those received in 2006. Due to the legislation which took effect in 2003, as new employees continue to replace employees hired prior to February 25, 2002, employee contributions are expected to continue to rise.

The $74,306,487 decrease in net investment income in 2008, as compared to 2007, is attributable to a weaker overall market environment for stocks in 2008. For example, the S&P 500 Index returned 5.5% in 2007, but a dramatically decreased (37.0)% in 2008. Similarly, the MSCI EAFE Index gained 11.6% in 2007 and (43.1)% in 2008. Consequently, the total rate of return for the CERF portfolio in 2008 was (22.9)%, as compared to 6.9% in 2007. CERF's Large Cap U.S. Equities returned (35.3)%, as compared to (37.0)% for the S & P 500 Index. The Small/Mid Cap U.S. Equities returned (36.6)%, as compared to (36.8)% for the Russell 2500 Index. The fixed income portfolio returned (0.3)%, as compared to 5.2% for the Barclays Capital Aggregate Index. CERF's international stock portfolio returned (39.1)%, as compared to (43.1)% for the MSCI EAFE Index. The Equity Long/Short position returned (17.6)%, as compared to (26.4)% for the HFRI Equity Hedge Index. The Real Estate portfolio consists of an investment in core real estate, as well as CERF's office building. In 2008, the core real estate investment returned (12.5)%, as compared to the NCREIF Property Index return of (6.5)%. The return on investment in CERF's office building will be recognized as periodic appraisals are conducted, which are anticipated to be done every five years.

The $10,496,851 decrease in net investment income in 2007, as compared to 2006, is attributable to a weaker overall market environment for stocks in 2007. For example, the S&P 500 Index returned 15.8% in 2006, but only 5.5% in 2007. Similarly, the MSCI EAFE Index gained 26.9% in 2006 and 11.6% in 2007. Consequently, the total rate of return for the CERF portfolio in 2007 was 6.9%, as compared to 13.3% in 2006. CERF's Large Cap U.S. Equities returned 3.2%, as compared to 5.5% for the S & P 500 Index. The Small/Mid Cap U.S. Equities returned 1.5%, as compared to 1.4% for the Russell 2500 Index. The fixed income portfolio returned 7.4%, as compared to 7.0% for the Lehman Brothers Aggregate Index. CERF's international stock portfolio returned 10.1%, as compared to 11.6% for the MSCI EAFE Index. The Equity Long/Short position returned 16.5%, as compared to 10.7% for the HFRI Equity Hedge Index. The Real Estate portfolio consists of an investment in core real estate, as well as CERF's office building. In 2007, the core real estate investment returned 17.2%, as compared to the NCREIF Property Index return of 17.3%. The return on investment in CERF's office building will be recognized as periodic appraisals are conducted, which are anticipated to be done every five years.

Beginning in January 2006, the Board of Directors authorized CERF to enter into a Securities Lending Agreement with Key Bank, thus allowing CERF to lend its securities to broker-dealers, for the purpose of providing additional income to CERF. Unfortunately, Key Bank experienced first time ever losses for their customers in the securities lending arena which resulted in a net unrealized securities lending loss for CERF in 2008 of $2,014,375 as compared to net income of $78,826 in 2007.

When comparing returns, it is important to note that CERF's investment objectives should be pursued as long-term goals designed to maximize return while reducing exposure to undue risk, as set out in the Board's investment policy. At a minimum, it is the objective of CERF to meet its actuarial interest assumption on an ongoing basis. Currently, the actuarial interest assumption is 8%. The desired objective on a long-term basis is to achieve an excess return over the actuarial assumption of 1%, which is an absolute objective of 9%, net of
investment management fees and transaction costs. Long term is defined as greater than 10 years. Some of the results for the total fund are:

Period	Annualized Returns	Compared to Other Public Funds
One Year	-22.9%	31st Percentile
Three Years	-2.3%	46th Percentile
Five Years	2.1%	50th Percentile
Ten Years	4.5%	8th Percentile
Since Inception	7.8%	

Deductions

The expenses paid by CERF include benefit payments, refunds, a defined contribution plan match, and administrative expenses.

Expenses for 2008 totaled $19,338,643, an increase of $1,416,846 over 2007. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 2,619 in 2008 from 2,453 in 2007 (an increase of 166 payees), as well as an increase in the amount of the average benefit. There was also an increase of $319,712 in the amount necessary to make the defined contribution plan match for 2008, a direct result of the increased match given to LAGERS employees, an improvement which was also included in the benefit enhancements which took effect October 1, 2007.

Expenses for 2007 totaled $17,921,797, an increase of $2,611,750 over 2006. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 2,453 in 2007 from 2,185 in 2006 (an increase of 268 retirees, as compared to the 156 retiree increase for 2006), as well as an increase in the amount of the average benefit. The substantial increase in refunds in 2007 is due both to an increase in the number of terminated non-vested employees and the refunding of larger amounts of contributions being made by employees hired after February 24, 2002 as these employees terminate, non-vested.

Economic Outlook

CERF's estimated investment return for the three months ended March 31, 2009, is approximately (4.7)%. CERF's investments as of March 31, 2009 total approximately $196,755,000, a decrease of $8,315,685 since December 31, 2008, due to weakness in stocks stemming from the credit crisis and recession in the overall economy. The S&P 500 Index return during the first quarter was (11.0)%, while the MSCI EAFE Index was (13.9)%.

In 2005, the Missouri Legislature passed legislation directing CERF to make no adjustments until the Plan achieves a funded ratio of assets to the actuarial accrued liability equaling at least 80% (§50.1031, RSMo.). In 2007, CERF's Board of Directors was very pleased to be able to approve and implement a pension benefit enhancement package effective October 1, 2007, after having achieved a funded status of 83% at June 30, 2007. The benefit enhancements made are as follows: (a) The minimum amount used in the Flat-Dollar Formula was increased from $24 to $29; (b) credit was given for years of service greater than 25, but no more

than 29; and (c) the breakpoints used in the Targeted Replacement Ratio (TRR) Formula were adjusted. In addition, the Defined Contribution Plan match for LAGERS participants was increased to equal the match for Non-LAGERS participants.

The year 2008 was a transitional year for CERF, as two investment managers were replaced due to underperformance. In addition, two new asset classes were introduced to CERF's portfolio, including an alternative fixed fund of funds product in April 2008, and private equity, which is expected to be funded during 2009.

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF PLAN NET ASSETS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Cash	$ 1,633,996	$ 1,217,479
Receivables:		
Member contributions	443,823	382,539
Member prior service contributions	168,731	127,847
County contributions	2,567,292	2,296,294
Receivable for pending investment sales	624,278	-
Accrued interest and dividends	153,305	813,408
Total receivables	3,957,429	3,620,088
Investments, at fair value:		
U.S. Government and agencies	14,697,307	45,611,361
Foreign Bonds	3,990,963	2,916,245
Corporate bonds	18,600,572	21,657,312
Domestic stocks	66,635,920	92,415,042
International equities funds	27,619,642	39,129,320
Equity mutual funds	-	4,764,442
Hedge funds	52,081,942	23,230,725
Real estate fund	8,228,307	9,488,123
Cash equivalents	9,181,934	11,403,056
Total investments	201,036,587	250,615,626
Invested securities lending collateral	30,697,835	69,297,655
Other assets	8,066	11,842
Capital assets, net of accumulated depreciation of $1,813,139 and $1,681,455	3,880,414	4,015,139
Total assets	241,214,327	328,777,829
LIABILITIES		
Accounts payable	274,336	352,397
Accrued defined contribution plan contribution	1,946,293	1,626,581
Other accrued expenses	63,231	124,951
Deferred revenue	184,966	138,689
Payable for pending investment purchases	1,085,031	-
Collateral for securities on loan	32,814,354	69,297,655
Total liabilities	36,368,211	71,540,273
Net assets held in trust for pension benefits	$ 204,846,116	$ 257,237,556

(A schedule of funding progress is presented on page 20)

The notes to financial statements are an integral part of these statements

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF CHANGES IN PLAN NET ASSETS
For the Years Ended December 31, 2008 and 2007

	2008	2007
ADDITIONS:		
Contributions:		
County receipts	$ 20,053,257	$ 19,760,207
By members	7,717,143	6,860,679
For members, paid by counties	739,270	694,056
Members, purchase of prior service	122,026	82,737
Total contributions	28,631,696	27,397,679
Investment income:		
Net appreciation (depreciation) in fair value of investments	(64,546,358)	8,975,613
Interest	3,029,095	4,228,613
Dividends	3,140,864	2,790,870
Total investment income (loss)	(58,376,399)	15,995,096
Less investment expenses	1,293,719	1,358,727
Net investment income (loss)	(59,670,118)	14,636,369
Securities lending income	1,462,304	3,637,542
Less expenses	1,360,160	3,558,716
Net (decrease) in fair value of collateral investments	(2,116,519)	-
Net securities lending income (loss)	(2,014,375)	78,826
Total additions (deductions)	(33,052,797)	42,112,874
DEDUCTIONS:		
Benefits	13,179,658	12,122,669
Refunds of member contributions	2,228,126	2,233,588
Defined contribution plan matching contribution	1,946,293	1,626,581
Administrative expense	1,984,566	1,938,959
Total deductions	19,338,643	17,921,797
Net increase (decrease)	(52,391,440)	24,191,077
Net assets held in trust for pension benefits		
Beginning of year	257,237,556	233,046,479
End of year	$ 204,846,116	$ 257,237,556

The notes to financial statements are an integral part of these statements

COUNTY EMPLOYEES' RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The County Employees' Retirement Fund ("CERF") financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Method Used to Value Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Bonds and stocks traded on a national or international exchange are valued at the last reported sales price at current exchange rates as reported by independent pricing services. The values of real estate included in the real estate fund investment are based upon annual independent appraisals, updated quarterly, as provided by the fund manager. Investments that do not have an established market are reported at estimated fair value as provided by investment or fund managers.

Property and Equipment: Property and equipment, including computer software programs, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated lives of the assets of from three to fifty years.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. PLAN DESCRIPTION

CERF was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes (RSMo). The Board of Directors consists of eleven members, nine of whom are county employee participants. Two members, who have no beneficiary interest in CERF, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

CERF is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. CERF covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000 could opt out of the system. CERF is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the

initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of the funds of the system.

Contributions: Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, in addition to the prior contributions requirements, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature.

Counties may elect to make all or a portion of the required 4% contribution on behalf of employees. Total county-paid member contributions for the years ended December 31, 2008 and 2007 were $739,270 and $694,056, respectively.

In addition, the following fees and penalties prescribed under Missouri law are required to be collected and remitted to CERF by counties covered by the plan:

* Late fees on filing of personal property tax declarations
* Twenty dollars for each merchants and manufacturers license issued
* Six dollars on each document recorded or filed with county recorders of deeds, with an additional one dollar on each document recorded
* Three sevenths of the fee on delinquent property taxes
* Interest earned on investment of the above collections prior to remittance to CERF

Members: CERF members include eligible employees of 111 counties in the State of Missouri. The number of members and benefit recipients served by the system at December 31, 2008 and 2007 were:

	2008	2007
Retirees and beneficiaries receiving benefits	2,619	2,453
Terminated employees entitled to but not yet receiving benefits	1,567	1,468
Current active plan members	11,182	11,050
Total	15,368	14,971

Tax status: The Internal Revenue Service has determined and informed CERF by letter dated January 16, 2001, that the plan as amended through May 1, 2000 is in a form acceptable under the Internal Revenue Code.

3. FUNDED STATUS AND FUNDING PROGRESS:

The funded status of the plan as of June 30, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b)-(a))/(c)
6/30/08	271,146,789	364,213,668	93,066,879	74.4%	335,961,755	27.7%

The schedule of funding progress, presented as required supplementary information (RSI) following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age
Amortization Method	Level percent, closed period
Remaining Amortization Period	16.5 years
Asset Valuation Method	5 year smoothed market
Actuarial Assumptions:	
Investments rate of return	8%
Projected salary increases*	0.0% - 7.6%
Cost-of-living adjustments	1%

*Includes inflation component of 3.0%

4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk for Deposits: Custodial credit risk is the risk that in the event of a bank failure, CERF's deposits may not be returned to it. At December 31, 2008 and 2007, CERF's bank balances were secured by a combination of federal depository insurance and pledged collateral held in CERF's name by an agent of the depository bank.

Investments: Funds are invested by outside managers under policies established by the Board of Directors. The Board requires that its investment managers invest CERF's assets with the care, skill, and diligence a prudent person familiar with such matters acting in a like capacity would use in a similar enterprise with like objectives.

The following table summarizes CERF investments by type at December 31, 2008 and 2007:

	2008	2007
U.S. government and agencies securities	$ 14,697,307	$ 45,611,361
Foreign bonds	3,990,963	2,916,245
Corporate bonds and notes	18,600,572	21,657,312
Domestic stocks	66,635,920	92,415,042
International equities funds	27,619,642	39,129,320
Equity mutual funds	-	4,764,442
Hedge funds	52,081,942	23,230,725
Real estate fund	8,228,307	9,488,123
Cash equivalents	9,181,934	11,403,056
Total	$ 201,036,587	$ 250,615,626

CERF's investment policy permits investments in equity and fixed income (debt) securities and real estate, with guidelines for the percentage of the total for each category and for the type of investments within each category.

With respect to debt securities, the policy permits fixed and variable rate securities issued or guaranteed by the U.S. government, its agencies or instrumentalities; and U.S. government sponsored and other corporation securities. To manage interest rate and credit risks, two investment managers are used for debt securities, each operating under specific guidelines with respect to approved securities, duration, diversification, and minimum quality ratings by Moody's or Standard and Poors.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the option-adjusted methodology. The Fund benchmarks the fixed income portfolio to the Barclays Capital Aggregate Bond Index for 2008 and the Lehman Brothers Aggregate Bond Index for 2007. At December 31, 2008, the effective duration of the Barclays Capital Aggregate Bond Index was 3.71 years, whereas, CERF's fixed income portfolio had an effective duration of 4.73 years. At December 31, 2007, the effective duration of the Lehman Aggregate Bond Index was 4.41 years, whereas, CERF's fixed income portfolio had an effective duration of 3.56 years. The following table summarizes duration by investment type as of December 31, 2008:

Investment	2008 Fair Value	Effective Duration Rate
U.S. Treasuries	$ 1,096,498	7.19 years
U.S. agencies	3,973,569	2.59 years
U.S. agencies mortgage pool	9,627,240	1.96 years
Commercial mortgage backed securities	2,723,042	4.32 years
Other asset backed securities	417,986	4.68 years
U.S. corporate - financial	6,065,335	5.47 years
U.S. corporate - industrial	8,077,216	8.12 years
U.S. corporate - utility	1,316,993	6.96 years
International	3,990,963	4.61 years
Total	$ 37,288,842	

The following table summarizes duration by investment type as of December 31, 2007:

Investment	2007 Fair Value	Effective Duration Rate
U.S. Treasuries	$ 13,032,046	8.18 years
U.S. agencies	6,457,521	2.91 years
U.S. agencies mortgage pool	26,121,794	4.82 years
Commercial mortgage backed securities	4,617,618	3.20 years
Other asset backed securities	1,947,717	2.39 years
U.S. corporate - financial	5,304,462	5.13 years
U.S. corporate - industrial	7,913,030	8.04 years
U.S. corporate - utility	1,874,485	3.05 years
International	2,916,245	1.46 years
Total	$ 70,184,918	

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the plan. CERF's debt securities investments by credit rating category as of December 31, 2008 are presented in the following table.

Credit Rating Level	Total	U.S. Treasuries and Direct-Guaranteed Agencies	U.S. Sponsored Agencies	U.S. Sponsored Agencies - Mortgage Pools	Commercial Mortgage Backed Securties	Other Commercial Asset backed securites	U.S. Corporate - Financial	U.S. Corporate - Industrial	U.S. Corporate - Utility	Foreign
Guaranteed	$ 1,096,498	$ 1,096,498	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Aaa	20,147,989	-	3,738,904	9,574,355	2,723,042	231,392	936,912	-	-	2,943,384
A1	1,475,425	-	-	52,885	-	48,068	669,410	416,262	73,291	215,509
Baa1	9,911,205	-	234,665	-	-	138,526	3,220,164	5,570,482	393,642	353,726
Ba1	2,598,038	-	-	-	-	-	565,100	1,123,902	517,733	391,303
B1	1,476,258	-	-	-	-	-	123,429	933,461	332,327	87,041
CCC	583,429	-	-	-	-	-	550,320	33,109	-	-
Total	$ 37,288,842	$ 1,096,498	$ 3,973,569	$ 9,627,240	$ 2,723,042	$ 417,986	$ 6,065,335	$ 8,077,216	$ 1,316,993	$ 3,990,963

CERF's debt securities investments by credit rating category as of December 31, 2007 are presented in the following table.

Credit Rating Level	Total	U.S. Treasuries and Direct-Guaranteed Agencies	U.S. Sponsored Agencies	U.S. Sponsored Agencies - Mortgage Pools	Commercial Mortgage Backed Securties	Other Commercial Asset backed securites	U.S. Corporate - Financial	U.S. Corporate - Industrial	U.S. Corporate - Utility	Foreign
Guaranteed	$ 13,960,786	$ 13,032,046	$ -	$ -	$ 928,740	$ -	$ -	$ -	$ -	$ -
Aaa	41,761,288	-	6,457,521	26,121,794	3,688,878	1,947,717	821,197	-	330,618	2,393,563
Aa2	665,906	-	-	-	-	-	508,002	157,904	-	-
Aa3	955,378	-	-	-	-	-	812,380	-	-	142,998
A	547,173	-	-	-	-	-	-	-	547,173	-
A1	1,489,140	-	-	-	-	-	919,122	570,018	-	-
A2	1,095,179	-	-	-	-	-	523,670	299,303	-	272,206
A3	393,245	-	-	-	-	-	142,998	-	250,247	-
Baa1	2,250,560	-	-	-	-	-	414,210	1,836,350	-	-
Baa2	1,984,271	-	-	-	-	-	250,806	1,521,052	104,935	107,478
Baa3	2,217,516	-	-	-	-	-	181,360	1,751,359	284,797	-
Ba1	950,271	-	-	-	-	-	481,285	355,884	113,102	-
Ba2	102,761	-	-	-	-	-	-	102,761	-	-
Ba3	226,625	-	-	-	-	-	-	226,625	-	-
B1	834,238	-	-	-	-	-	-	590,625	243,613	-
B2	337,921	-	-	-	-	-	-	337,921	-	-
B3	412,660	-	-	-	-	-	-	412,660	-	-
Total	$ 70,184,918	$ 13,032,046	$ 6,457,521	$ 26,121,794	$ 4,617,618	$ 1,947,717	$ 5,055,030	$ 8,162,462	$ 1,874,485	$ 2,916,245

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a plan's investment in a single issuer. CERF's investment guidelines require diversified portfolios with no single issue, excluding U.S. government securities, being greater than 5% of each manager's total portfolio value at cost or 7% at market value. GASB 40 requires disclosure of any single issue, excluding U.S. government securities, that exceeds 5% of the total investment portfolio. As of December 31, 2008 and 2007, no single issue exceeded the 5% threshold.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The following is a summary of CERF's international equities funds showing the exposure to foreign currency risk as of December 31, 2008 and 2007:

	2008	2007
Argentine Peso	$ -	$ 15,677
Bermuda Dollar	-	737,795
Brazilian Real	863,137	975,469
Canadian Dollar	94,825	418,696
China Yuan Renminbi	334,146	170,209
Euro	10,416,614	14,125,018
Hong Kong Dollar	207,870	207,230
Indian Rupee	67,732	6,719
Japanese Yen	7,644,638	10,495,906
Mexico Peso	486,463	553,477
New Zealand Dollar	113,674	254,539
Norwegian Krone	-	125,417
Qatari Rial	-	6,719
Russian Ruble	81,279	132,136
Singapore Dollar	-	2,240
South African Rand	-	17,917
South Korean Won	1,059,035	2,294,537
Swiss Franc	1,210,200	1,122,885
Taiwan New Dollars	208,972	446,366
United Kingdom Pound	3,966,421	6,487,577
United States Dollar	864,636	532,791
Total Foreign Equities	$ 27,619,642	$ 39,129,320

Derivatives: Derivatives are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. Derivatives often require little or no initial investment, but involve off-balance sheet risk. The Fund from time to time enters into various transactions involving derivatives, primarily to enhance the performance and reduce the volatility of its portfolio. Derivatives held by the Fund include mortgage-backed to-be-announced (TBA) forward contracts and collateralized mortgage obligations (CMOs). TBA forward contracts represent commitments to purchase mortgage-backed securities for delivery at an agreed-upon specific future date, however; the specific securities have not yet been issued. CERF invests the approximate value of TBA contracts in cash equivalent securities scheduled to mature on or near the TBA settlement date. The fair value of TBA contracts, which are not included in the carrying value of investments, totaled $0 and $1,782,825 at December 31, 2008 and 2007, respectively. CMOs are a type of mortgage-backed security that represent claims to specific cash flows from large pools of home mortgages. The fair value of CMOs, which are included in the schedules of investments by type, duration and credit risk in this note, totaled $0 and $483,229 at December 31, 2008 and 2007, respectively. TBAs and CMOs involve market risk resulting from interest rate fluctuations and, in the case of CMOs, changes in the timing of mortgage prepayments.

Securities Lending Program:

Description of the Program: CERF participates in a securities lending program administered by KeyBank National Association (the custodian). Under this program, the Board of Directors has authorized CERF to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. At the initiation of a loan, borrowers are required to provide cash collateral

at 102% of the market value of loaned securities. This cash collateral is then invested in certain qualified investments as detailed in the securities lending agreement. The maturities of the investments made with cash collateral do not generally match the maturity of security loans. There are no restrictions on the amount of securities that can be lent at one time. CERF does not have the ability to pledge or sell collateral securities unless the borrower defaults. CERF and the borrowers each maintained the right to terminate all security lending transactions on demand.

Transactions with Borrowers During the Period: Securities lent as of December 31, 2008 and 2007 consisted of U.S. government and agency securities, U.S. equities, U.S. corporate bonds, and mortgage backed securities. The average term of securities loans was 1 day at December 31, 2008 and 2007. The fair value, including accrued interest, of securities on loan was $32,054,266 and $67,151,316, as of December 31, 2008 and 2007, respectively. Because the fair value of collateral held exceeded the fair value of securities lent at December 31, 2008 and 2007, CERF had no credit risk exposure to borrowers as of those dates. There were no losses during the year resulting from a default of the borrowers or the custodial bank.

Investment of Cash Collateral During the Period: The weighted average duration of collateral investments at December 31, 2008 and 2007 was 20.2 and 10.8 days, respectively. The fair value of investments made with the associated collateral was $30,697,835 and $69,292,655 as of December 31, 2008 and 2007, respectively. CERF's securities lending policy states that in the event a security held in the cash collateral portfolio is downgraded below A3 by Moody's or A- by Standard and Poors that a potential course of action be discussed. Such potential actions include selling the security as soon as possible or holding the security in the hopes of an improved market. As of December 31, 2008, 14%, or $4,287,905, of the total market value of the invested collateral portfolio fell below these ratings. For 2008 there was decline in the fair value of investments purchased with cash collateral of $2,116,519 as of December 31, 2008, of which $979,716 is expected to become a realized loss from permanent impairment. The agreement between CERF and the securities lending agent does not provide for indemnification to CERF for any loss incurred as a result of CERF's participation in the program.

Securities Lending Income: Net security lending income from CERF's share of income on investments made from cash collateral less borrower rebates and fees of the securities lending agent was $102,144 and $78,826 for 2008 and 2007, respectively.

5. CAPITAL ASSETS

Capital assets consist of the following as of December 31, 2008:

	January 1, 2008	Additions	Disposals and Adjustments	December 31, 2008
Assets not being depreciated:				
Land	$ 932,050	$ -	$ -	$ 932,050
Assets being depreciated:				
Building	3,022,819	-	-	3,022,819
Equipment, furnishings and computer software	1,741,725	22,252	(25,572)	1,738,405
Total assets being depreciated	4,764,544	22,252	(25,572)	4,761,224
Less accumulated depreciation	1,681,455	156,977	(25,572)	1,812,860
Net assets being depreciated	3,083,089	(134,725)	-	2,948,364
Total capital assets	$ 4,015,139	$ (134,725)	$ -	$ 3,880,414

Capital assets consist of the following as of December 31, 2007:

	January 1, 2007	Additions	Disposals	December 31, 2007
Assets not being depreciated:				
Land	$ 932,050	$ -	$ -	$ 932,050
Assets being depreciated:				
Building	3,028,389	-	(5,570)	3,022,819
Equipment, furnishings and computer software	1,734,260	20,099	(12,634)	1,741,725
Total assets being depreciated	4,762,649	20,099	(18,204)	4,764,544
Less accumulated depreciation	1,429,099	264,990	(12,634)	1,681,455
Net assets being depreciated	3,333,550	(244,891)	(5,570)	3,083,089
Total capital assets	$ 4,265,600	$ (244,891)	$ (5,570)	$ 4,015,139

6. PRIOR SERVICE CONTRIBUTIONS

Prior to January 1, 2000, an eligible county employee who was employed on January 1, 1990, but not employed at CERF's inception and who had at least eight years of prior service could purchase a portion of such prior service. For those who elected to purchase such prior service, at least fifty percent of the dollar amount of the purchase as calculated by law is due upon retirement and the remaining amount is deducted from retirement benefit payments over a maximum period of four years.

The receivables for member prior service contributions shown on the accompanying statements of net assets represent the total amount, as of December 31, 2008 and 2007, that is due in future periods from retirees who have elected to purchase prior service.

An eligible county employee who opted out of the system prior to January 1, 2000 had the option to become a member within three months of the three year anniversary of the decision to opt out. Upon deciding to opt in to the system, such employee either purchased in total or began payroll deductions to purchase all or part of his prior creditable service plus interest over a maximum period of four years. Such amounts are recognized as contributions when received by CERF.

7. RETIREMENT PLANS FOR FUND EMPLOYEES

All full-time employees of CERF are eligible for participation in a defined contribution plan. CERF contributes 6% of a participating employee's monthly gross salary to the plan. The contribution requirements of the plan are governed by the plan document, which may be amended by the Board of Directors. Employees do not contribute to the retirement plan. Employees become vested in contributions made by CERF after 5 years of creditable service. Total contributions for the year ended December 31, 2008 and 2007 were $42,846 and $29,942, respectively.

All full-time employees are eligible for participation in an Internal Revenue Code (IRC) 457 deferred compensation plan upon their eligibility in the defined contribution plan.

8. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

Plan Description: Effective January 1, 2000, CERF also administers a defined contribution plan and an IRC Section 457 deferred compensation plan. The plans were established to provide an opportunity for members of the pension plan to have additional retirement benefits. The plans' provisions and contribution requirements are established and may be amended only by action of the Missouri Legislature. Members of the pension plan are eligible to participate.

Contributions: Pension plan members who are not members of LAGERS are required to contribute 0.7% of gross compensation to the defined contribution plan. Contributions of $776,680 and $718,687 were made during the years ended December 31, 2008 and 2007, respectively. Participation in the 457 plan is voluntary. The level of contributions to the 457 plan is elected by the employee, subject to the limitations of IRC Sections 401(a) and 457. CERF's Board of Directors determines if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the 457 plan. The amount of any matching contribution is determined by the Board, and is limited to an amount not needed to keep the pension plan actuarially sound. The matching contribution is also limited to 50% of a member's voluntary contributions to the 457 plan, up to 3% of the member's compensation. Members vest in the matching portion of contributions allocated to their respective accounts after five years of creditable service. Matching contributions for the years ended December 31, 2008 and 2007 were $1,946,293 and $1,626,581, respectively.

Administration: Maintenance of individual member accounts and custody of assets have been contracted to a third party administrator and investment custodian, respectively. Member contributions are sent directly to the third party administrator by the counties. Members can self-direct investments of their contributions and their respective share of matching contributions in a number of investment options. Separate trust funds are maintained for the defined contribution and 457 plan assets. Because CERF does not hold the plans' assets and does not have significant administrative responsibilities, the plans' assets and changes in net assets are not reported in CERF's financial statements.

9. RISK MANAGEMENT

CERF is exposed to various risks of loss related to natural disasters, errors and omission, loss of assets, torts, etc. CERF has chosen to cover such losses through the purchase of commercial insurance. There have been no significant insurance claims filed or paid during the past three years.

COUNTY EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2008

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b)-(a))/(c)
12/31/03	$ 150,351,363	$ 225,589,130	$ 75,237,766	66.6%	$ 277,155,462	27.1%
12/31/04	178,497,546	254,374,828	75,877,282	70.2%	290,944,956	26.1%
12/31/05	197,722,089	272,270,967	74,548,878	72.6%	301,692,241	24.7%
12/31/06	233,046,479	298,184,874	65,138,395	78.2%	317,301,810	20.5%
6/30/07	254,803,856	308,563,489	53,759,633	82.6%	320,317,003	16.8%
6/30/08	271,146,789	364,213,668	93,066,879	74.4%	335,961,755	27.7%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Required Contribution	Actual Contribution	Percentage Contributed
2003	$ 13,368,947	$ 19,264,653	144.1%
2004	13,963,840	18,125,064	129.8%
2005	13,644,088	18,324,010	134.3%
2006	13,447,802	18,923,599	140.7%
Six Months Ended June 30,			
2007	6,474,975	11,656,551	180.0%
Year Ended June 30,			
2008	11,930,574	20,000,450	167.6%

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF ADMINISTRATIVE EXPENSES
For the Years Ended December 31, 2008 and 2007

	2008	2007
Personal services		
Staff salaries	$ 737,975	$ 685,773
Social security	52,749	50,090
Retirement	42,846	29,942
Insurance	126,720	108,914
Total personal services	960,290	874,719
Professional services		
Actuarial	152,806	153,034
Audit	60,100	68,416
Legal counsel	251,158	198,080
Legislative consultant	67,000	67,000
Plan design and implementation consultants	14,925	11,669
Total professional services	545,989	498,199
Communication		
Printing	20,790	24,753
Postage	24,681	22,536
Telephone	25,336	25,189
Total communication	70,807	72,478
Rentals		
Equipment leasing and maintenance	26,883	24,088
Total rentals	26,883	24,088
Depreciation	156,976	264,989
Miscellaneous		
Utilities	19,770	18,195
Board of directors expenses	32,366	19,645
Business risk insurance premiums	64,212	60,648
Staff development	20,884	24,160
Office	86,195	81,495
Property taxes	194	343
Total miscellaneous	223,621	204,486
Total administrative expenses	$ 1,984,566	$ 1,938,959

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF INVESTMENT EXPENSES
For the Years Ended December 31, 2008 and 2007

	2008	2007
Investment management expenses		
Domestic stocks	$ 561,493	$ 562,743
International stocks	227,579	275,342
Bonds	152,089	199,724
Real estate	120,206	97,021
Total investment management expenses	1,061,367	1,134,830
Other investment expenses		
Investment consultants	117,830	117,480
Investment custodian	106,216	99,268
Bank depository	8,306	7,149
Total other investment expenses	232,352	223,897
Total investment expenses	$ 1,293,719	$ 1,358,727
Securities lending expenses		
Borrower rebates	$ 1,295,786	$ 3,506,168
Agent fees	64,374	52,548
Total securities lending expenses	$ 1,360,160	$ 3,558,716